

**BETHLEHEM AUTHORITY
BETHLEHEM, PA**

MINUTES OF REGULAR MEETING

AUGUST 10, 2006

The regular meeting of the Board of Directors of the Bethlehem Authority was held on August 10, 2006, in Conference Room B504, City Administration Building, 10 E. Church Street, Bethlehem, PA. The meeting was called to order at 3:00 PM by Chairman Richard Master, with the following in attendance:

BETHLEHEM AUTHORITY

James L. Broughal, Solicitor
David T. DiGiacinto, Vice Chairman
Mark P. Jobes, Assistant Secretary/Treasurer (Late Arrival)
Richard L. Master, Chairman
Daniel L. Meixell, Special Police Officer
Stephen Repasch, Executive Director
Sandra L. Reppert, Executive Assistant
John J. Tallarico, Jr., Secretary

CITY OF BETHLEHEM

Jean Belinski, Councilwoman
David Brong, Director of Water and Sewer Resources

THE BETHLEHEM PRESS

Greg Rogers

THE EXPRESS TIMES

Kurt Bresswein

On a motion by Mr. DiGiacinto and seconded by Mr. Tallarico, the minutes from the July 12, 2006, meeting were approved unanimously by voice vote.

COURTESY OF THE FLOOR AND RECOGNITION OF VISITORS

Mr. Master recognized Mr. Bruce Stetler, Lehigh Mountain resident; Mr. Mark Hilton, Coldwell Banker Phyllis Rubin Real Estate Agent, Stroudsburg, PA; Mr. Stephen Antalics, Bethlehem resident; Mr. Bud Cook, The Nature Conservancy, Long Pond, PA; members of the press.

REPORT OF THE CHAIRMAN

REPORT OF THE EXECUTIVE DIRECTOR

Agreement of Sale with Lehigh County for Salisbury Township Land – Update. The survey is close to being finalized. The delay is due to delineating pipeline right-of-ways required by the City. Lehigh County must obtain subdivision approval from the Borough of Fountain Hill and Salisbury Township before it can proceed toward final settlement with the Authority. The process is expected to take another two to three months.

Mr. Master discussed an opinion letter received from the Authority's Bond Counsel, Mr. Peter Carlucci. Per Section 9.09 of the Trust Indenture, proceeds from the sale of moveable assets, including real estate, must be deposited into the Revenue Fund. The Authority may direct the Trustee to transfer these proceeds into the Bond Redemption and Improvement Fund or they may remain in the Revenue Fund. The consensus of the Board is that the proceeds from the land sale to Lehigh County should be deposited into the Bond Redemption and Improvement Fund to supplement the 2006 capital expenditures for work at the Water Treatment Plant.

Mr. DiGiacinto motioned that the Authority, upon receipt of the proceeds from the sale of the Salisbury Township land to Lehigh County, direct the its Trustee, The Bank of New York, to deposit the monies into the Revenue Fund, then transfer same amount from the Revenue Fund into the Bond Redemption and Improvement Fund. The motion was seconded by Mr. Tallarico and approved unanimously by voice vote. *(Motion pertains **only** to this transaction.)*

Mt. Pocahontas Property – Update. Mr. Hilton has supplied a profile of the property to developers in the area, and there has been some interest. However, the market is not favorable to our expectations at this time. The listing price will not be reduced.

2006 Budget Review and Outlook. Through July, 2006, Professional Services are 131% of the amount budgeted. The down payment monies (\$16,500.00 total) the Authority expended in 2006 for herbicide spraying and fencing contracts will be reimbursed by the City. It was recently discovered that these expenses were taken out of the Authority's 2006 budget and included in the City's 2006 budget. Although this helps to some extent, Forestry Services will far exceed the amount budgeted for 2006. Also, the Authority may be anticipating substantial work by the Financial Advisor in the 3rd and 4th quarters of 2006. Police and Administrative Expenses are in line. Overall, through July, 2006, the Authority is at 86% of its budget.

Forest Management – Update. Due to favorable weather, the Authority's Forester has been able to accomplish a lot of field work. The Hyspie Gap sale will be bid this September. Stand 50 is marked and should be ready for timbering in the Spring of 2007. Mr. Repasch will be meeting with Don Oaks next week to review current issues.

Tunkhannock Creek Redesignation Position. The Board reviewed a draft letter that will be sent to the PA DEP. It indicates the Authority has done its due diligence in reviewing the petition and all key issues to redesignate the Tunkhannock Creek from High Quality to Exceptional Value. Redesignating the creek to Exceptional Value will not affect water allocation, forest management, permit requirements, development rights and property values. Mr. Tallarico would like the Authority to join the petition. However, the petition was filed over a year ago. After some discussion, the consensus of the Board is to support the petition.

Mr. DiGiacinto motioned to authorize the Executive Director to send the letter, on behalf of the Bethlehem Authority, to Secretary McGinty of the PA DEP which states our support of the petition to redesignate the Tunkhannock Creek to Exceptional Value. The motion was seconded by Mr. Jobes and approved unanimously by voice vote.

Consulting Engineer's Draft Annual Report. Copies of the draft Annual Report were received from Schoor DePalma and provided to Dave Brong and Jeff Andrews. There will be discussions with the engineers and city staff concerning some issues before reporting back to the Board with a final report.

REPORT OF THE CONTROLLER

Mr. John Filipos of Buckno, Lisicky & Co. attended the meeting in the absence of Mr. McDonald. Mr. Filipos presented the Controller's Summary Report for the month ended July 31, 2006. He noted the 1997 Emmaus Loan principal and interest payment in the amount of \$527,025.51. The 2005 audit report was filed on time with the Commonwealth of PA.

Resolution 268 – Approval of Bills. Mr. Master presented Resolution 268 for Board consideration and approval.

Mr. DiGiacinto motioned to approve Resolution 268 as presented. The motion was seconded by Mr. Tallarico and approved unanimously by voice vote.

REPORT OF THE SOLICITOR

Nothing to report.

REPORT OF THE CONSULTING ENGINEER

Schoor DePalma's report for the period July 6 to August 7, 2006, as filed in the Board book, was accepted without comment.

REPORT OF THE BETHLEHEM AUTHORITY SPECIAL POLICE

Officer Meixell's report for the period July-August, 2006, as filed in the Board book, was accepted without comment. He commented on unmarked property lines in Tunkhannock Township and the problems it creates. It was suggested to develop a plan to have survey work done in stages and only survey the areas where there are encroachment issues or the potential for intrusion.

WATER REPORT

The water report, as filed in the Board book, was accepted without comment. For the record, there was 3.09 inches of rain in the month of July, 2006, the reservoirs are at 100.48% capacity, and there is 16MGD of water being treated at the filtration plant.

REPORT OF THE DIRECTOR OF WATER AND SEWER RESOURCES, CITY OF BETHLEHEM

Mr. Brong reported at July 31, 2006, the cash balance in the water fund is slightly under \$3.0 million. The income statement is ~\$700,000.00 ahead of projection. This is due to the Authority allowing the City to use up the reserves in the 1997 Debt Service Fund (Emmaus Loan) to make principal and interest payments for the year 2006. Otherwise, the City's water fund would be at a break-even point.

Mr. Brong informed the Board of a substantial water leak detected in South Bethlehem (this leak has apparently been there for many years). It was estimated to account for one full day of the City's water demand on an annual basis. The necessary action was taken to fix the leak.

BUSINESS

Refinancing Options. Reserves for capital improvements will be depleted in approximately two years. The use of the Authority's financial advisor to investigate market conditions on refinancing the 1998 bonds and/or restructuring the Authority's debt was discussed. Mr. Brong indicated he will work on an analysis that will project capital expenditures and then have PRAG review and validate the figures to keep their cost to a minimum.

2006 Capital Budget Amendment Request. The filter replacement project at the Water Treatment Plant had been halted due to the seasonal demand for water. Originally, there were two contracts awarded to replace five filters in 2006 and the remaining five filters in 2007. The City would like to restart the project to full completion, replacing the remaining eight filters. The current contract cannot be amended and awarded unless the monies are in the 2006 capital budget. The request is to amend the 2006 capital budget by \$537,414.00. It is not a request for additional funds.

Mr. DiGiacinto motioned to approve amending the 2006 capital budget in the amount of \$537,414.00 to support the continuation of the filter replacement project at the Water Treatment Plant. The motion was seconded by Mr. Tallarico and approved unanimously by voice vote.

Mr. Jobes questioned why some water capital projects comment that "funding by Bethlehem Authority Bond Redemption and Improvement account required by PUC." There is **no** oversight by the PUC on capital spending. (It could be that some of the projects that need to be done were considered/included in the rate increase request to the PUC with the added comment.)

COURTESY OF THE FLOOR.

Councilwoman Belinski questioned when the roof replacement project at the Water Treatment Plant will begin. The project will commence soon.

Mr. Antalics commented on land sales and surveying issues.

Mr. Hilton questioned if the Authority has future plans to expand and provide water to areas in the Poconos. The Executive Director plans on meeting with local boroughs and townships concerning this matter.

ADJOURNMENT

On a motion by Mr. DiGiacinto, seconded by Mr. Jobes, and approved unanimously by voice vote, the regular meeting was adjourned at 4:15PM.

John J. Tallarico, Jr., Secretary